

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
KRISTIN K. MAYES

In the matter of)	
LISTO, INC., a Nevada corporation)	DOCKET NO. S-03585A-05-000
668 N. 44 th St., Suite 233)	
Phoenix, Arizona 85008)	DECISION NO. <u>68230</u>
ROBERT SMART and JANE DOE)	
SMART,)	ORDER TO CEASE AND DESIST, ORDER
husband and wife)	OF RESTITUTION AND ORDER FOR
#819 Donato Guerra Rep. Belice Col.)	ADMINISTRATIVE PENALTIES AGAINST
Machi-Lopez)	LISTO, INC., A NEVADA CORPORATION
Hermosillo, Senora, Mexico 83127)	
KEVIN KRAUSE, an unmarried man)	
23444 N. 21 st Way)	
Phoenix, Arizona 85024)	
Respondents.)	

16 On September 30, 2004, the Securities Division ("Division") of the Arizona
17 Corporation Commission ("Commission") filed a Temporary Order to Cease and Desist and Notice
18 of opportunity for Hearing ("Notice") with respect to Respondents Listo, Inc., a Nevada
19 Corporation, Robert Smart and Jane Doe Smart, and Kevin Krause, an unmarried man
20 (collectively, "Respondents"). The Division served the Notice on Listo, Inc., a Nevada corporation,
21 ("LISTO") via personal service on one its agents on March 3, 2005 and on its statutory registered
22 agent in Nevada via certified mail, return receipt requested on March 31, 2005. The Notice
23 specified that LISTO would be afforded an opportunity for an administrative hearing regarding this
24 matter upon filing a written request with Docket Control of the Commission within ten days of
25 receipt of the Notice. LISTO failed to request a hearing within the required time.

26 ...

I.**FINDINGS OF FACT**

1. LISTO is a Nevada corporation organized on January 14, 2002. LISTO subsequently merged with GBO, Inc., a Nevada corporation, with the surviving entity retaining the name of LISTO, effective July 15, 2003. At all times relevant, the principal place of business of LISTO was 668 N. 44th Street, Suite 233, Phoenix, Arizona 85008; however, LISTO has never been authorized to transact business in Arizona.

2. ROBERT SMART ("SMART") was at all relevant times a principal of LISTO whose last known residential address is 36640 N. Sidewinder Rd., Carefree, Arizona 85377 and last known business address is #819 Donato Guerra Rep. Belice Col. Machi-Lopez, Hermosillo, Sonora, Mexico 83127.

3. KEVIN H. KRAUSE ("KRAUSE") was at all relevant times a principal of LISTO whose last known address is 23444 N. 24th Way, Phoenix, Arizona 85024.

4. Since January 2002, Respondents have been offering securities in the form of common stock in LISTO.

5. SMART holds himself out to be the president of LISTO and is the majority stock holder and control person of LISTO.

6. Respondents represent that LISTO is seeking capital for the development of oil and gas wells in the Holbrook area of Northeastern, Arizona (the "Energy Project"). The Respondents claim that the Energy Project is to be advanced through the use of land leases between LISTO and the Arizona Land Department. That claim is false. There are no land leases between Respondents and the Arizona Land Department.

7. Respondents have failed to explain to offerees and/or investors the risk and costs involved in the Energy Project.

8. Respondents also represent that LISTO is seeking capital for the development of a new community located in the Puerto Penasco (i.e., Rocky Point) district of Mexico, which

1 development plan includes condominiums, a resort style hotel, medical facilities, marina, casino,
2 and airport, referred to as "Ciudad de La Blanca Rosa at Los Almejas" (the "Mexico Project"). The
3 Respondents informed investors that the site of the Mexico Project was to be located in an area of
4 Rocky Point known as "Sandy Beach," but later told investors that the site was to be on a larger
5 parcel of property located further south in the Rocky Point district.

6 9. Respondents have claimed that the Mexico Project had commenced; however, its
7 development has not progressed past the planning stage.

8 10. Respondents have claimed that profits received from the Energy Project would also
9 be used to fund the Mexico Project.

10 11. Respondents have induced the public to invest in LISTO through detailed
11 presentations about the Mexico Project and/or the Energy Project through local seminars,
12 advertisements in the *Arizona Republic*, and, currently, an internet website located at
13 <http://www.listoinc.com>.

14 12. Respondents have sold to investors approximately 2.3 million shares of common
15 stock in LISTO at a purchase price ranging from \$ 0.25 to \$3.50 per share to investors for a total
16 amount of at least \$806,875. The majority of investors are residents of Arizona.

17 13. Respondents have failed to disclose to investors that common stock in LISTO was to
18 be issued to certain individuals without payment to the corporation or that it was sold at varying
19 purchase prices per share, thereby diluting the value of the stock.

20 14. Respondents told investors that LISTO was to become public corporation at or
21 around the close of 2003 and told investors that the value of common stock would then increase
22 to approximately \$2.00 - \$7.00 per share. LISTO remains a private corporation.

23 15. Respondents failed to inform investors that KRAUSE was to receive, and did in
24 fact receive, a commission for the sale of common stock in LISTO.

25 16. Respondents failed to inform investors that funds raised would be used to pay for
26 the personal expenses of SMART. Upon information and belief, SMART has used investor

1 funds for the payment of personal expenses including, but not limited to, housing, living, and
2 entertainment expenses.

3 17. The common stock in LISTO is not registered as securities in Arizona nor is it
4 exempt from registration.

5 18. LISTO is not registered as a securities dealer in Arizona and neither SMART nor
6 KRAUSE are registered as securities salesmen in Arizona nor are they exempt from registration.

7 II.

8 CONCLUSIONS OF LAW

9 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
10 Arizona Constitution and the Securities Act.

11 2. LISTO offered or sold securities within or from Arizona, within the meaning of
12 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

13 3. LISTO violated A.R.S. § 44-1841 by offering or selling securities that were neither
14 registered nor exempt from registration.

15 4. LISTO violated A.R.S. § 44-1842 by offering or selling securities while neither
16 registered as a dealer or salesman nor exempt from registration.

17 5. LISTO violated A.R.S. § 44-1991 by (a) employing a device, scheme or artifice to
18 defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging
19 in transactions, practices or courses of business which operate or would operate as a fraud or
20 deceit.

21 6. LISTO'S conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-
22 2032.

23 7. LISTO'S conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
24 2032.

25 8. LISTO'S conduct is grounds for administrative penalties under A.R.S. § 44-2036.
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III.**ORDER**

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that LISTO, and any of LISTO'S agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act. LISTO shall not sell any securities in or from Arizona without being registered in Arizona as dealers or salesmen, or exempt from such registration. LISTO shall not sell securities in or from Arizona unless the securities are registered in Arizona or exempt from registration.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that LISTO shall pay restitution to investors shown on the records of the Commission in the amount of \$806,875.00, plus interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Commission. The Commission shall disburse the funds on a pro rata basis to investors. Any funds that the Commission is unable to disburse shall be transferred to the general fund of the state of Arizona. If LISTO does not comply with this order of restitution, any outstanding balance shall be deemed in default and shall be immediately due and payable without notice or demand.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that the LISTO shall pay an administrative penalty in the amount of \$100,000, payable to the "State of Arizona." Payment shall be made in full by cashier's check or money order on the date of this Order. If LISTO does not comply with this order for administrative penalties, any outstanding balance shall be deemed in default and shall be immediately due and payable without notice or demand. All outstanding administrative penalty amounts shall accrue interest at the rate of 10% per annum until paid in full.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

/s/ Jeffrey M. Hatch-Miller

CHAIRMAN

/s/ William Mundell

COMMISSIONER

/s/ Marc Spitzer

COMMISSIONER

/s/ Lowell Gleason

COMMISSIONER

/s/ Kristin K. Mayes

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Director of the Arizona Corporation
Commission, have hereunto set my hand and caused the
official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this 25th day of
October, 2005.

/s/ Brian C. McNeil

BRIAN C. McNEIL

Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant
to the Executive Director, phone number (602) 542-3931, E-mail LHogan@cc.state.az.us.

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